

**Docket No. R2020-1
USPS-LR-R2020-1/7
First-Class Mail Workpapers (Remand)**

PREFACE

The overall percentage change for First-Class Mail is 1.734 percent, less than the total available rate change authority of 1.933 percent. Therefore, the Postal Service will be left with 0.199 of banked authority for First-Class Mail. USPS-LR-R2020-1/7 contains the First-Class Mail workpapers, which demonstrate that the percentage change in First-Class Mail prices complies with the available rate change authority. It consists of this summary document, and four sets of Excel workpapers described in detail below.

A. Overview of Workpapers

For purposes of calculating the percentage change in prices, First-Class Mail includes both domestic First-Class Mail and First-Class Mail International (FCMI). The Excel file labeled CAPCALC-FCM-R2020-1-Remand Calc 1.xlsx contains the billing determinants, current prices, adjusted prices, and revenue calculations for First-Class Mail. The percentage rate change calculations in this file include total revenue and volume from Outbound Single-Piece FCMI and Inbound Letter Post derived from the Excel files labeled CAPCALC-FCMI-R2020-1.xls and Inbound CAPCALC-FCMI-R2020-1-Remand Calc 1.xlsx, respectively. These two files contain the billing determinants, current prices, adjusted prices, and revenue calculation for Outbound FCMI and Inbound Letter Post. The detailed Inbound Letter Post remand price cap workpapers are provided in USPS-LR-R2020-1/NP2. The remainder of this document describes the contents of the above referenced workpaper: CAPCALC-FCM-R2020-1-Remand Calc 1.xlsx.

B. Billing Determinants

The workpapers in CAPCALC-FCM-R2020-1-Remand Calc 1.xlsx are based upon the hybrid year billing determinants extending from Quarter 4, FY 2018, to Quarter 3, FY 2019. These billing determinants were filed in Docket No. ACR2018 on December 29, 2018, and, more recently, on August 29, 2019. The hybrid-year billing determinants named Hybrid Year Q4FY2018-Q3FY2019.xlsx are linked to FY 2018 FCM.xlsx and 3Q FCM BD – Public.xlsx. The Billing Determinants filed for Q3 FY2019 also contain the same Billing Determinants filed for Q2 FY2019 and Q1 FY2019. The volumes in these linked Hybrid-Year Billing Determinants are also linked to CAPCALC-FCM-R2020-1-Remand Calc 1.xlsx. After the cover page and the index in this file there are twenty tabs. There are no billing-determinant-specific tabs per se, but the hybrid year billing determinants appear in the volumes of the product tabs.

C. Cost Avoidances

The Postal Service provides workshare discount passthrough calculations and cost avoidances in Attachment B-Remand.xlsx and also provides these calculations in the tab “FCM Worksharing” in CAPCALC-FCM-R2020-1-Remand Calc 1.xlsx.

D. Adjustments to Billing Determinants

The following adjustments were made to the filed Billing Determinants, which are the sources of the Hybrid-Year linked Billing Determinant file:

1. Share Mail was adjusted to exclude Market Test pieces in the Share Mail volumes in both the “Single-Piece Letters” tab and the “Single-Piece Cards” tab. These Market Test Volumes are detailed in the “Share Mail” tab.
2. Picture Permit revenues from the Billing Determinants were converted to pieces by multiplying the dollar amount by 100 in the “Automation Letters” tab.
3. Keys and Identification (ID) Devices additional ounce volumes were adjusted to account for the fact that the additional ounce price will now start for pieces heavier than one ounce instead of for pieces heavier than four ounces. Prior to this price change, Keys and ID Devices weighing between 2 and 4 ounces were not charged for any additional ounces and Keys and ID Devices weighing more than 4 ounces were charged only one additional ounce. Going forward, the first additional ounce will be for Keys and ID Devices weighing more than one ounce. The volumes were re-calculated to include the first additional ounce being more than one ounce. The CapCalc file shows the current Keys and ID Devices price multiplied by additional ounces calculated the old way and the proposed prices times volumes calculated in the new way. This is necessary to give an accurate price change calculation given the change in structure.
4. FCMI volumes were adjusted to remove flats above 15.994 ounces to account for the weight limit change that took effect in June 2019. This adjustment appears in CAPCALC-FCMI-R2020-1.xlsx with the resulting volumes and revenues copied into the “FCM International” tab.
5. Inbound E-Format Letter Post volume was reduced by half to weight the January 1 price change with the volume that will remain market-dominant through June 30, 2020.

E. Promotions

The Postal Service will offer the same four First-Class Mail Promotions that were in effect in Calendar Year (“CY”) 2019 (Earned Value, Color Transpromo, Emerging Technology, and Informed Delivery). The cap calculations for these promotions are presented in the “Promotions” tab. This tab calculates the values of these Promotions’ discounts, and distributes them to the First-Class Mail products that customers used to participate in these promotions. There are four tabs detailing the volumes and discounts for each of these promotions following the “Promotions” tab. There are links between the volumes in each individual promotions tab and the “Promotions” tab that

calculates and distributes revenues to products and links between the “Promotions” tab and product tabs listed below. Although the four promotions will run for the same duration in CY 2020 as they did in CY 2019, they generate a small amount of cap space due to the change in Earned Value threshold and credit structure, and the availability of Informed Delivery data to generate cap space for the first time. Revenue and Percentage Rate Change Calculations

The price changes for CAPCALC-FCM-R2020-1-Remand Calc 1.xlsx appear in the eleven individual product tabs located between the “Share Mail” tab and the “Percentage Change Summary” tab.

In CAPCALC-FCM-R2020-1-Remand Calc 1.xlsx, the hybrid year (Quarter 4 FY 2018 to Quarter 3 FY 2019) billing determinants were used as the basis for the weighting to calculate the percentage rate changes for Domestic First-Class Mail except for adjustments noted above.

The following CAPCALC-FCM-R2020-1-Remand Calc 1.xlsx tab -- “Single Piece Letters” -- provides the volume multiplied by the current and adjusted rates for single-piece price cells, respectively. Revenue is calculated by multiplying the same volume by the current and adjusted rates.

The next eight tabs in CAPCALC-FCM-R2020-1-Remand Calc 1.xlsx provide the same information for each of the following:

- *Single-Piece Cards*
- *Nonauto Presort Letters*
- *Automation Letters*
- *Presort Cards*
- *Automation Cards*
- *Single-Piece Flats*
- *Nonauto Presort Flats*
- *Automation Flats*

These tabs provide the before- and after-rates postage using the same volume, and calculate the percent increase for each product.

The next tab “Move Update” provides the before and after revenues for Move Update fees assessed using the Census method.

The next tab, “FCM International,” provides the before and after revenues for all Outbound and Inbound categories, as discussed above.

The next tab, “Percent Change Summary,” provides percent changes for all First-Class Mail products.

The final tab shows workshare pass-through calculations linked to the relevant price cells in the previous product tabs.

F. Summary of Changes in Response to Remand

The files CAPCALC-FCM-R2020-1-Remand Calc 1, CAPCALC-FCM-R2020-1-Remand Calc 2, and CAPCALC-FCM-R2020-1-Remand Calc 3 contain changes to Inbound Letter Post Revenues and Automated Letter prices. The changes to Inbound Letter Post revenues and Automated Letters prices are noted with yellow highlights to their impacted tabs and these changes result in further changes (also noted with yellow highlights) to the “Promotions” tab, “Percentage Change Summary” tab and the “FCM Worksharing” tab. The Automated Letter Prices and all of the domestic First-Class Mail Prices are the same for all of three CAPCALC files, they only differ in how Inbound Letter Post is treated. Notably, in all three CAPCALC files, the overall percentage change in rates falls below the total available rate change authority of 1.933 percent.

In CAPCALC-FCM-R2020-1-Remand Calc 1, the weight of E Format prices is lowered by 50 percent. In CAPCALC-FCM-R2020-1-Remand Calc 2, all E format volumes have been removed from Inbound Letter Post as this file assumes that E format is transferred to competitive on January 1. In CAPCALC-FCMR2020-1-Remand Calc 3, none of the E format volumes are removed from Inbound Letter Post, and with the exception of some Air Conveyance adjustments made in UPU circular 179, the file is exactly the same as the CAPCALC file used by the Commission in Order No. 5302.